

SENATE BILL REPORT

SB 6797

As Reported By Senate Committee On:
Economic Development, Trade & Management, February 05, 2008

Title: An act relating to sales and use tax for public facilities in urban counties.

Brief Description: Concerning sales and use tax for public facilities in urban counties.

Sponsors: Senators Kastama and Kilmer.

Brief History:

Committee Activity: Economic Development, Trade & Management: 2/01/08, 2/05/08 [DPS-WM].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: That Substitute Senate Bill No. 6797 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Kauffman, King and Shin.

Staff: Jack Brummel (786-7428)

Background: Rural counties may impose a local option sales and use tax of 0.09 percent. The tax is deducted from the state's 6.5 percent sales and use tax and, thus, the consumer does not see an increase in the amount of the tax paid. Revenues from this local option tax may only be used to finance public facilities serving economic development purposes and for the personnel of an economic development office. Economic development purposes means those purposes which facilitate the creation or retention of businesses and jobs in a county.

"Rural counties" are defined as a county with a population density of less than 100 persons per square mile, or smaller than 225 square miles. Thirty-two counties qualify as rural and all are levying the tax.

Counties collecting the tax are required to provide yearly reports to the State Auditor within 150 days after the close of each fiscal year. The report must include information on expenditures made on projects begun in prior years. Monies from the credit may not be used to fund judicial system facilities.

Summary of Bill (Recommended Substitute): Urban counties with a population that exceeds 150,000 persons may impose a local option sales and use tax of 0.09 percent, deducted from the state's 6.5 percent sales and use tax, and subject to substantially the same regulations and limitations on the use of the funds as are imposed on rural counties except:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

(1) the monies collected must be used for public facilities that will support traded services; and
(2) counties, cities, ports, and Associate Development Organizations are to review and approve project selection.

Distributions of this tax may not exceed \$5 million per calendar year in any county; revenue in excess of this belongs to the state. Distributions may resume the following January if the \$5 million limitation is met.

EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT COMMITTEE (Recommended Substitute): Technical corrections were made. Requirements related to traded services and approval of project selection were added. Monies may not be used for personnel in economic development offices.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2009.

Staff Summary of Public Testimony on Original Bill: PRO; This would allow urban counties to have the same economic development opportunities as urban counties. There are seven counties that would qualify under this: Clark, King, Kitsap Pierce, Spokane, and Thurston. This could help attract businesses. This would improve competitiveness. This could drive investment to infrastructure to support traded sectors of the economy. This could be used with innovation zones.

OTHER: The \$5 million cap was meant to be a cap on each county's distribution. The consultation called for in the bill is not strong enough. Cities want more of a voice on how the funds are spent.

Persons Testifying: PRO: Julie Murray, Washington State Association of Counties; Scott Clark, Thurston County Water and Waste Management; Renee Sunde, Thurston County Economic Development Council; Denise Dyer, WEDA, Office of the (Pierce) County Executive, Economic Development Division; Bruce Kendall, WEDA, EDB of Pierce County; Bart Phillips, Columbia River EDC; Sharon Wylie, Kitsap County.

OTHER: Randy Lewis, City of Tacoma.